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MART®

BUSINESS IDEAS FOR TODAY'S RETAILERS AND DISTRIBUTORS

JANUARY 1986

A GORDON PUBLICATION

VIDEO SOFTWARE

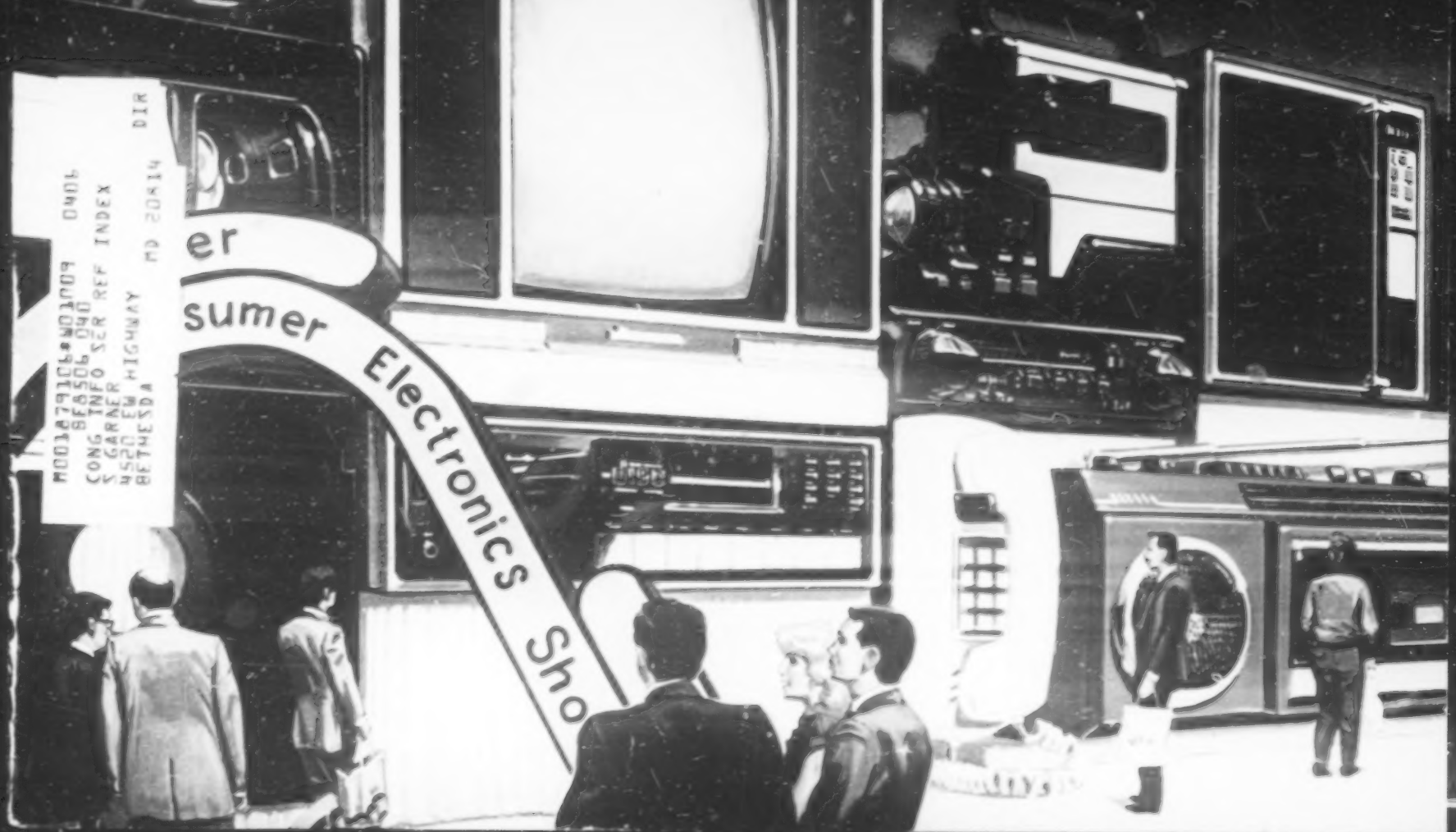
HOME ELECTRONICS

TELECOMMUNICATIONS

APPLIANCES

CES

NOBODY DOES IT BIGGER



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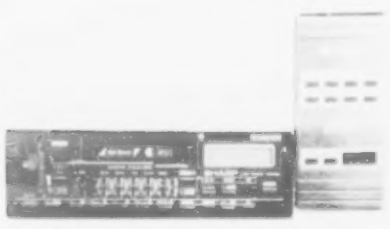

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RETAILING

'Made in America' gaining back respect

Poll shows that Americans perceive U.S. made products as higher in quality; home electronics are exception to rule

Be it blind patriotism or a calculated evaluation based on years of research, American consumers say that products made in the U.S. are top quality and are likely to get better. The one glaring exception to this sense of consumer nationalism is in the area of consumer electronics where buyers give higher marks to foreign-made products than those made in the U.S.

The findings were the result of a recent Gallup Poll conducted for the American Society for Quality Control (ASQC), a non-profit group devoted to promoting increased quality in goods and services. Over 1,000 adults, representing a cross section of ages, education and income, were interviewed last summer and asked a series of questions relating to their perception of quality.

When asked to compare U.S.-made versus foreign-made in eight different product categories, the only product grouping where respondents cited foreign superiority was the area described in the poll as "TV, radio or other home entertainment equipment." Forty-five percent of those polled said foreign-made products were "better" while only 40 percent said there was no difference.

In contrast, a scarce six percent indicated their preference for foreign-made major appliances while an overwhelming majority of 78 percent said that American-made appliances were the smarter buy.

"The poll is an appraisal of the way consumers feel about various products," says Jim Harrington, president of ASQC and a senior engineer/project manager for IBM in San Jose. "The poll is not intended as an appraisal of the products themselves or the countries that manufacture them. The survey measures perception, and even if that perception isn't entirely accurate, it still exists in the mind of consumers and should be taken into consideration by manufacturers."

Harrington noted that there was a great deal of misunderstanding on the part of consumers as to what is and isn't foreign-made product. "Someone goes into a store to buy a VCR and they see an RCA model, they may buy it under the assumption that they are 'buying American', when in reality the VCR was made in Japan. The same thing holds for a Sony TV. Even though it may have been built in Sony's San Diego plant, people think it's from Japan just because it says 'Sony'," explains Harrington.

"What the poll clearly shows is that the public's belief and faith in U.S. manufacturers has increased considerably," says Harrington. "There has been a huge change in perception. In 1980 a similar poll was conducted and found that 75 percent of those surveyed felt foreign products were better than, or equal to, their American counterparts," added Harrington.

Other findings of the Gallup survey on quality include:

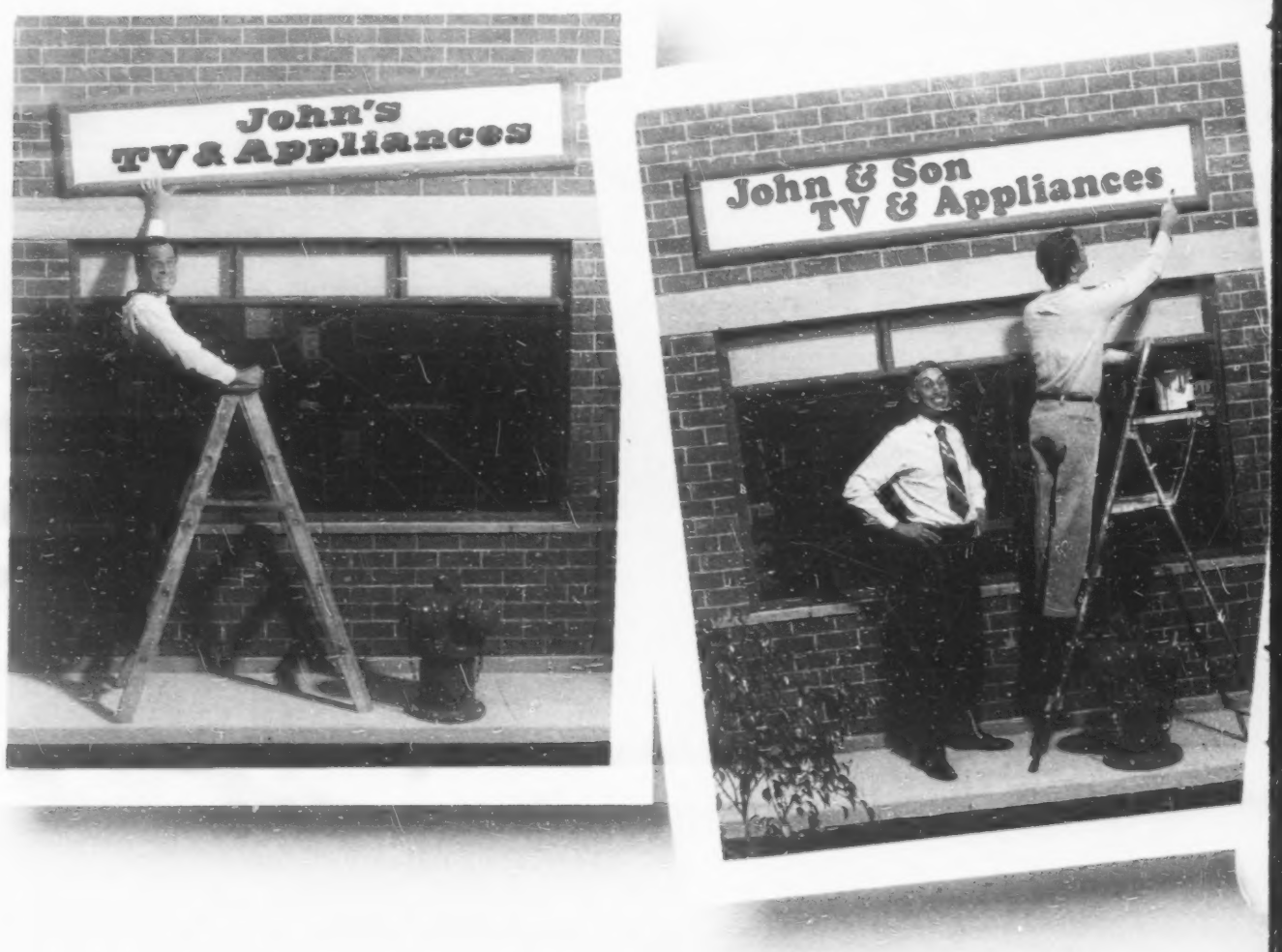
• Among the factors that determine a product's quality in the minds of

Which Is Better . . .

(Number Of Interviews For Each Below = 1,005)

	American Made %	Foreign Made %	Both The Same %	Don't Know %	Total %
Furniture	84	4	7	5	100
Major Appliances	78	6	12	4	100
Small Appliances	58	19	17	6	100
Automobiles	46	38	14	2	100
Personal Computers	41	22	10	27	100
Consumer Electronics	40	45	12	3	100

Sometimes the last thing you think about is who finances your inventory.



consumers, brand name was cited by 31 percent while another 26 percent said that a product's workmanship, including materials used and construction, is the chief factor. Price, performance and past experience were each mentioned as the determining factor by about 16 percent of those surveyed.

• When participants were asked to name five companies they associate with quality, General Electric was number one on a list that reads like a Who's Who in corporate America. Other consumer electronic and major appliance firms mentioned repeatedly (and their rankings) include Sony (8), RCA (10), Zenith (11), Maytag (19), Panasonic (21) and Whirlpool (23).

• The respondents that said American products are superior, tended to be less educated and less affluent than those who indicated no preference or a preference for foreign-made goods. They were also more likely to be over 50 years old and belong to a labor union.

• Asked how long they expected various products to last, participants singled out major appliances as the most durable product grouping. Seventy-three percent said they expected their major appliance to last 10 or more years with nine percent indicating that they expected their appliance to last more than 15 years. Less than half the respondents said they expect their TV set to last 10 years.

Al Sterrar

Brand loyalty fades with CE retailers

Report cites rapid turnover of lines at high-volume outlets

Retailers of electronics products are growing more and more willing to add new products and new manufacturers to their merchandise mix. According to a study by Venture Development Corp. entitled *Retailing Electronics to the End User II*, long term relationships between manufacturer and retailer are becoming the exception rather than the rule in many retail outlet categories. The report notes that this is due in part because of new product categories which retailers have been adding. The heart of the trend, however is that more retailers are flirting with, and being actively and effectively courted by competing manufacturers than ever before.

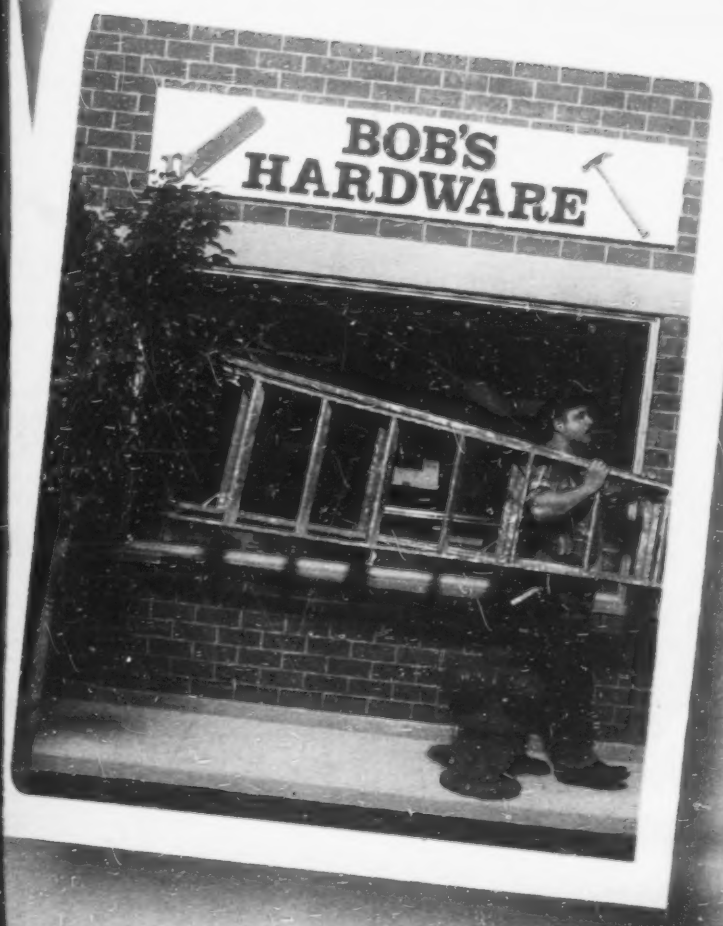
According to the survey, TV/Appliance stores show the greatest stability in terms of manufacturer turnover. Over 70 percent of the manufacturers carried by these retailers have been handled for over two years. However, previous surveys have noted even greater manufacturer loyalty from these retailers, many of whom specialized in the products of a single manufacturer.

Mass merchant/discount stores and department stores have shown the greatest decline in brand loyalty in the past few years. As recently as 1983, three quarters of the manufacturers carried by both retail types were carried for more than three years. In 1985 the situation was quite different. Only about half the manufacturers carried by mass merchant/discount stores have been handled for more than two years.

The change in the "longevity" of manufacturers supplying electronics products to department stores is even more dramatic. Less than 25 percent of manufacturers handled by these stores have been providing products to the same store for more than two years.

The report concludes suppliers have contributed to the changing nature of retailer/manufacturer relations through their aggressive pursuit of new accounts. Highly competitive product lines and a willingness to deal have provided manufacturers with entry to more retailers than ever before. Retailers, faced with competitive pressures of their own, are increasingly willing to talk with a new manufacturer. Some manufacturers note that deal-oriented retailers are coming to resemble buyers in the garment industry, with the phase "But what have you done for me *lately*" in the back of everyone's mind.

One exception to the trend away from loyalty to manufacturers can be found in video specialty stores. Two-thirds of the manufacturers carried by these stores have been handled for two years or more. This is a higher level than that seen in 1983. It is pointed out, however, that the increasingly loyalty of these retailers may simply be due to their relatively young age. Because many of these stores first opened their doors in the early 1980s, the 1983 survey found few with long term relations with suppliers. Many of these stores retain loyalty to their initial suppliers, particularly those retailers who have established a "high-end" image. Whether or not video specialty stores will replace TV/Appliance stores as the most loyal of retailers from the manufacturer's perspective remains to be seen.



It shouldn't be the very last!

Does staying in business too long inevitably bring the house down? Never! But we've been around the business long enough to know there's a fine line between you holding the key to your own future and someone else holding the padlock.

Because without a dedicated source of funding, your credit lines can become history...just when you need it most. Capital that keeps your inventory, your operation and especially you going through the "troubled' times of your business.

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